delmarva power

A PHI Company

Bid Evaluation of RFP for New Power Generation Capacity

March 2007 - Town Meeting

Key Points

- Our evaluation and ranking is consistent with the Independent Consultantôs report

- Conectiv bid was highest ranked, but no bid was favored as an energy source for SOS customers:
  - the results did not deliver the benefits sought by the legislation, and
  - the bids carry significant risk which we have pointed out at every step of the process

- As stated in our Integrated Resource Plan (IRP), the best way to meet our customersô long-term energy supply needs is through a combination of energy efficiency programs, purchases from the wholesale market, enhancements to our transmission system, and targeted purchases of renewable resources

Copies of Delmarvaôs IRP, and RFP Evaluation Report can be found on the Delaware Public Service Commission Website: http://www.state.de.us/delpsc/

Price and Price Stability

delmarva power
A PHI Company

These bids do not provide the two most important (by weight) benefits envisioned by the legislation and none of the bid results had a strong score:

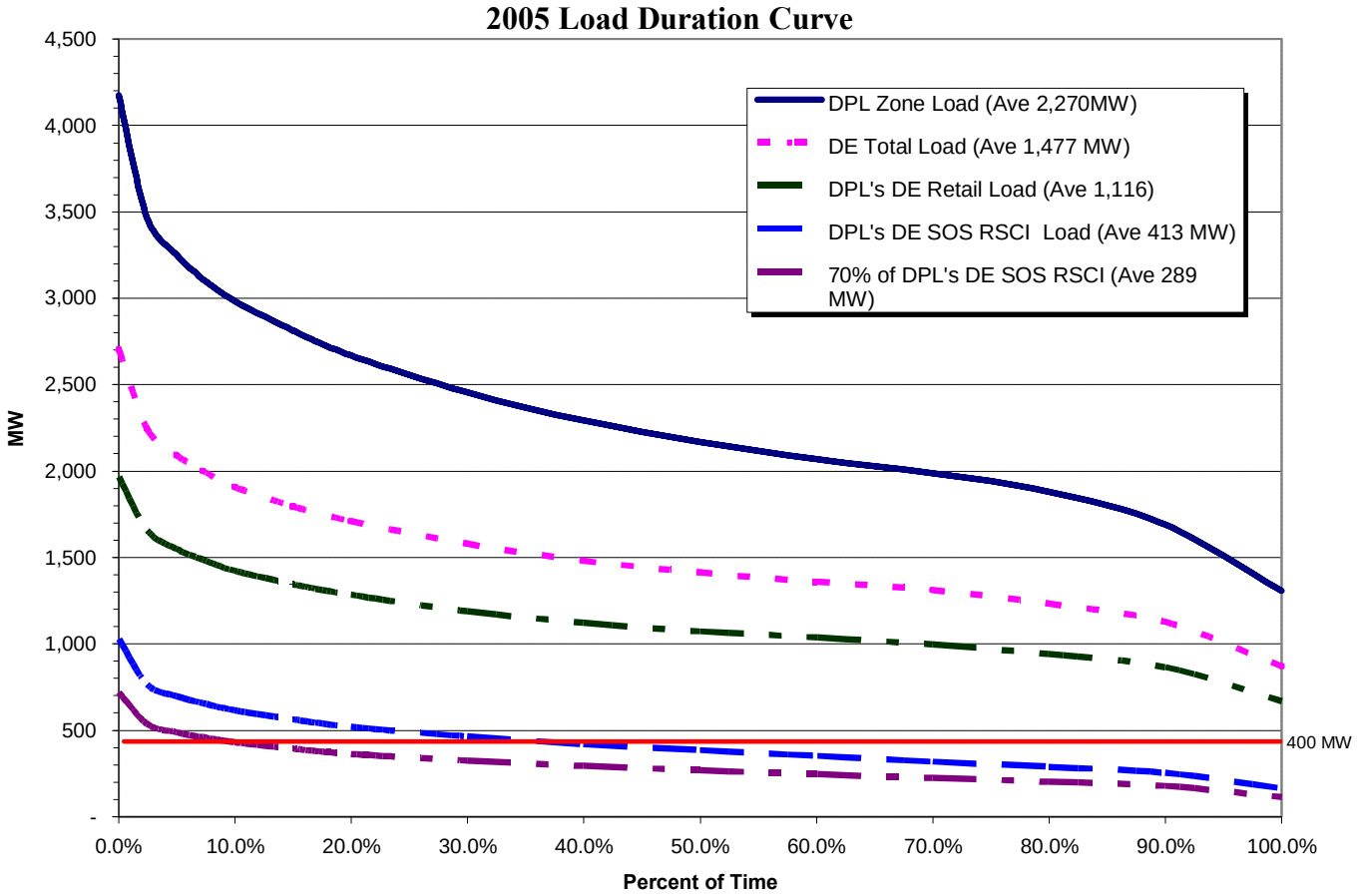
- *All bids increase prices going forward beyond market projections, with the highest being NRG at $5.2 Billion and the point scoring differentials reflected these significant impacts on customer energy costs*
- *None of the bids provides significantly more stable prices for our customers, especially when weighed against the high risk these long term contracts carry.*

	BWW-N 25 Yrs	BWW-N 25 partial	BWW-S 25 Yrs	BWW-S 20 Yrs	NRG 20 Yrs	NRG 25 Yrs	Conectiv Base	Conectiv Alternative
Incremental Cost over market projections (Billions)	$ 2.0	$ 2.1	$ 2.2	$ 2.2	$ 3.9	$ 5.2	$ 0.2	$ 0.1
Price stability impact - % of market price variability remaining with SOS customers	64%	74%	N/A	N/A	105%	106%	N/A	99%

Risk Components –
All bids are larger than our customers needs

delmarva power
A PHI Company

A contract for 400 MW of new generation would be procuring far more energy than our SOS customers need forcing a small subset of customers to fund generation that is servicing a far greater population.



Sourced from February 21, 2007 RFP Evaluation Report by Delmarva Power, Page 12 (Figure 1.4.1).

- The load being served by this RFP is a small part of the Delmarva Power total load as can be seen on this chart.
- Large RFP bid sizes were far more than needed for the actual SOS load and will be a substantial cost with added risk placed on our customers.

Risk Component –
Long Term contracts carry significant risk, not appropriately captured in the evaluation

delmarva power
A PHI Company

- These risks include:
  - the technologies* not performing as claimed by the bidders,
  - bidders not performing under the obligations of the contract (default risk), and
  - usage of SOS customers not equaling the forecasted usage.

* ***Greater operational uncertainty exists with two of the bidders' proposals: NRG's and Bluewater's proposed IGCC and off-shore wind technologies are not in use anywhere at the scale proposed in this RFP.***

Conclusions –
RFP and Action Plan of Delmarva

delmarva power
A PHI Company

- Although it is important to complete the public input phase of this evaluation, we have seen enough in our current analysis to clearly indicate these contracts are not in the best interest of our customers.
  - No price benefits and potentially significant incremental price with BWW and NRG bids.
  - Minimal impact on price stability and even the potential for increased price volatility in NRG bids.
  - Significant risk introduced by these bids that does not exist in the current SOS process.
- Although we felt it was important to consider these bids in the context of the IRP, given we used common assumptions in the evaluation of the RFPôs and the IRP, we see no change in the conclusions of the IRP resulting from these bids.
- We recommend continued reliance on the recently updated SOS bidding process, aggressive DSM implementation, investment in transmission system assets as laid out in the Mid Atlantic Power Pathway project and securing moderate amounts of renewable resources to meet our needs going forward, as outlined in the IRP.